

COMPANY REGISTRATION NUMBER 157989

PALISADE PROPERTIES PLC
FINANCIAL STATEMENTS
31 OCTOBER 2004



BOWER + SMITH
Chartered Accountants & Registered Auditors
6 Rubislaw Place
Aberdeen
AB10 1XN

PALISADE PROPERTIES PLC

FINANCIAL STATEMENTS

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditors' report to the shareholders	4
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	10

PALISADE PROPERTIES PLC
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Alan B Wilson
Paul F Doherty

Company secretary

Paull & Williamsons

Registered office

22 Dunblane Street
Glasgow
G4 0HJ

Auditors

Bower + Smith
Chartered Accountants
& Registered Auditors
6 Rubislaw Place
Aberdeen
AB10 1XN

Bankers

Bank of Scotland
39 Albyn Place
Aberdeen
AB10 1YN

PALISADE PROPERTIES PLC

THE DIRECTORS' REPORT

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the period from 1 May 2003 to 31 October 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was property development.

During the period management fees of £963,597 were receivable from associated companies which were able to successfully complete projects in Glasgow and Stranraer.

RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 October 2004	At 1 May 2003
Alan B Wilson	25,000	25,000
Paul F Doherty	<u>25,000</u>	<u>25,000</u>

POLICY ON THE PAYMENT OF CREDITORS

It is the policy of the company to pay all verified accounts within agreed settlement terms. The average period taken to pay suppliers was 51 days (2003 - 68 days).

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 10, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PALISADE PROPERTIES PLC

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

DONATIONS

During the period the company made the following contributions:

	Period to 31 October 2004	Year to 30 April 2003
	£	£
Charitable	<u>2,734</u>	<u>600</u>

AUDITORS

A resolution to re-appoint Bower + Smith as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
22 Dunblane Street
Glasgow
G4 0HJ

Signed on behalf of the directors



Alan B Wilson

Director

Approved by the directors on 23 August 2005

PALISADE PROPERTIES PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PALISADE PROPERTIES PLC

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

We have audited the financial statements of Palisade Properties plc for the period from 1 May 2003 to 31 October 2004 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

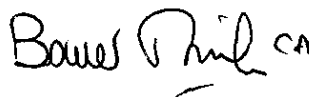
PALISADE PROPERTIES PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PALISADE PROPERTIES PLC *(continued)*

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2004 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Bower + Smith CA', is positioned above the printed name of the audit firm.

BOWER + SMITH
Chartered Accountants
& Registered Auditors

6 Rubislaw Place
Aberdeen
AB10 1XN

23 August 2005

PALISADE PROPERTIES PLC

PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

	Note	31 Oct 04 £	Year to 30 Apr 03 £
TURNOVER	2	1,079,464	316,738
Cost of sales		6,892	112,291
GROSS PROFIT		1,072,572	204,447
Administrative expenses		401,045	262,873
OPERATING PROFIT/(LOSS)	3	671,527	(58,426)
Loss on disposal of fixed assets	6	—	(8,352)
Other provisions		(4,014)	(30,065)
		667,513	(96,843)
Interest receivable and similar income		51,325	20,565
Interest payable and similar charges	7	(81,238)	(88,604)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		637,600	(164,882)
Tax on profit/(loss) on ordinary activities	8	104,581	169,696
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		533,019	(334,578)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		533,019	(334,578)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

The notes on pages 10 to 16 form part of these financial statements.

PALISADE PROPERTIES PLC

BALANCE SHEET

31 OCTOBER 2004

	Note	31 Oct 04 £	£	30 Apr 03 £
FIXED ASSETS				
Tangible assets	9		96,411	4,711
CURRENT ASSETS				
Debtors	10	874,693		521,481
Cash at bank		770,810		852,314
		1,645,503		1,373,795
CREDITORS: Amounts falling due within one year	11	318,955		407,498
NET CURRENT ASSETS			1,326,548	966,297
TOTAL ASSETS LESS CURRENT LIABILITIES			1,422,959	971,008
CREDITORS: Amounts falling due after more than one year	12		746,866	827,934
			676,093	143,074
CAPITAL AND RESERVES				
Called-up equity share capital	16		50,000	50,000
Profit and loss account	17		626,093	93,074
SHAREHOLDERS' FUNDS	18		676,093	143,074

These financial statements were approved by the directors on the 23 August 2005 and are signed on their behalf by:



ALAN B WILSON
Director

The notes on pages 10 to 16 form part of these financial statements.

PALISADE PROPERTIES PLC

CASH FLOW STATEMENT

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

	31 Oct 04 £	Year to 30 Apr 03 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	297,662	(378,464)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	51,325	20,565
Interest paid	(81,238)	(88,604)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(29,913)	(68,039)
TAXATION	(175,707)	(4,124)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(95,522)	(2,711)
Receipts from sale of fixed assets	—	1,590,148
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE	(95,522)	1,587,437
CASH INFLOW BEFORE FINANCING	(3,480)	1,136,810
FINANCING		
(Repayment) of bank loans	(78,024)	(49,489)
Repayment of directors' long-term loans	—	(248,345)
NET CASH OUTFLOW FROM FINANCING	(78,024)	(297,834)
(DECREASE)/INCREASE IN CASH	(81,504)	838,976
RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
	31 Oct 04 £	Year to 30 Apr 03 £
Operating profit/(loss)	671,527	(58,426)
Depreciation	3,822	4,231
(Increase)/decrease in debtors	(298,616)	(10,741)
Decrease in creditors	(79,071)	(313,528)
Net cash inflow/(outflow) from operating activities	<u>297,662</u>	<u>(378,464)</u>

The notes on pages 10 to 16 form part of these financial statements.

PALISADE PROPERTIES PLC

CASH FLOW STATEMENT *(continued)*

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	31 Oct 04 £	£	30 Apr 03 £
(Decrease)/increase in cash in the period		(81,504)	838,976
Net cash outflow from bank loans	78,024		49,489
Cash outflow from directors' long-term loans	<u>—</u>		<u>248,345</u>
		78,024	297,834
Change in net funds		(3,480)	1,136,810
Net debt at 1 May 2003		(27,334)	(1,164,144)
Net funds at 31 October 2004		<u>(30,814)</u>	<u>(27,334)</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 May 2003 £	Cash flows £	At 31 Oct 2004 £
Net cash:			
Cash in hand and at bank	<u>852,314</u>	<u>(81,504)</u>	<u>770,810</u>
Debt:			
Debt due within 1 year	(51,714)	(3,044)	(54,758)
Debt due after 1 year	<u>(827,934)</u>	<u>81,068</u>	<u>(746,866)</u>
	(879,648)	78,024	(801,624)
Net funds	<u>(27,334)</u>	<u>(3,480)</u>	<u>(30,814)</u>

The notes on pages 10 to 16 form part of these financial statements.

PALISADE PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Heritable Property	-	4% per annum
Fixtures & Fittings	-	25% per annum

Investment properties

Investment properties are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is in accordance with SSAP 19 which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance. The departure from the provisions of the Act is required in order to give a true and fair view.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Rental income

All leases are operating leases. Rentals receivable are credited to the Profit and Loss account on an accruals basis.

2. TURNOVER

- Turnover consists of :-

	31 Oct 04	Year to 30 Apr 03
	£	£
Management fees	1,006,145	270,000
Rent received	-	46,738
Overheads recovered	73,319	-
	<hr/> 1,079,464	<hr/> 316,738

PALISADE PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	31 Oct 04	Year to 30 Apr 03
	£	£
Depreciation of owned fixed assets	3,822	4,231
Auditors' remuneration		
- as auditors	4,000	3,600
- for other services	500	400
Operating lease costs:		
Land and buildings	13,660	8,582
	<u> </u>	<u> </u>

4. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial period, including the directors, amounted to 8 (2003 - 7).

The aggregate payroll costs of the above were:

	31 Oct 04	Year to 30 Apr 03
	£	£
Wages and salaries	276,170	178,687
Social security costs	28,702	17,486
	<u>304,872</u>	<u>196,173</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	31 Oct 04	Year to 30 Apr 03
	£	£
Emoluments receivable	<u>108,000</u>	<u>69,000</u>

6. LOSS ON DISPOSAL OF FIXED ASSETS

	31 Oct 04	Year to 30 Apr 03
	£	£
Loss on disposal of fixed assets	<u>—</u>	<u>(8,352)</u>

PALISADE PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

7. INTEREST PAYABLE AND SIMILAR CHARGES

	31 Oct 04	Year to 30 Apr 03
	£	£
Interest payable on bank borrowing	77,464	53,910
Interest on directors loans	—	34,694
Interest on overdue tax	3,774	—
	<u>81,238</u>	<u>88,604</u>

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	31 Oct 04	Year to 30 Apr 03
	£	£
Current tax:		
UK Corporation tax based on the results for the period at 30% (2003 - 30%)	104,581	173,820
Over/under provision in prior year	—	(4,124)
Total current tax	<u>104,581</u>	<u>169,696</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	31 Oct 04	Year to 30 Apr 03
	£	£
Profit/(loss) on ordinary activities before taxation	<u>637,600</u>	<u>(164,882)</u>
Profit/(loss) on ordinary activities by rate of tax	191,280	(49,465)
Expenses not deductible for tax purposes	2,831	2,427
Capital allowances in excess of depreciation	534	70
Losses carried forward	(88,267)	—
Provision against loan not deductible for tax purposes	1,204	9,019
Chargeable gain in excess of loss on sale of investment property	—	211,769
Other differences	(3,001)	—
Prior year adjustment	—	(4,124)
Total current tax (note 8(a))	<u>104,581</u>	<u>169,696</u>

PALISADE PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

9. TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Fittings £	Total £
COST			
At 1 May 2003	—	16,923	16,923
Additions	93,886	1,636	95,522
At 31 October 2004	<u>93,886</u>	<u>18,559</u>	<u>112,445</u>
DEPRECIATION			
At 1 May 2003	—	12,212	12,212
Charge for the period	—	3,822	3,822
At 31 October 2004	<u>—</u>	<u>16,034</u>	<u>16,034</u>
NET BOOK VALUE			
At 31 October 2004	<u>93,886</u>	<u>2,525</u>	<u>96,411</u>
At 30 April 2003	<u>—</u>	<u>4,711</u>	<u>4,711</u>

10. DEBTORS

	31 Oct 04 £	30 Apr 03 £
Trade debtors	5,558	6,605
Other debtors	555,466	486,709
Directors loan accounts	250,935	24,043
Tax recoverable	62,734	4,124
	<u>874,693</u>	<u>521,481</u>

11. CREDITORS: Amounts falling due within one year

	31 Oct 04 £	30 Apr 03 £
Bank loans and overdrafts	54,758	51,714
Trade creditors	78,560	139,985
Other creditors including taxation and social security:		
Corporation tax	161,304	173,820
Other taxation and social security	5,532	18,816
Other creditors	18,801	23,163
	<u>318,955</u>	<u>407,498</u>

The Bank of Scotland holds a bond and floating charge over the whole of the assets of the company and also holds standard securities over the company's investment properties. A life assurance policy over the life of Alan B Wilson has been assigned to the Bank of Scotland. The Bank of Scotland also holds cross guarantees between Palisade Properties plc, Palisade Properties (Holdings) Limited and other companies in which the directors have an interest.

PALISADE PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

12. CREDITORS: Amounts falling due after more than one year

	31 Oct 04	30 Apr 03
	£	£
Bank loans and overdrafts	<u>746,866</u>	<u>827,934</u>

The bank loan is at a variable rate of interest and is repayable in monthly instalments of £8,752.

13. BANK LOAN

Creditors include finance capital which is due for repayment as follows:

	31 Oct 04	30 Apr 03
	£	£
Amounts repayable:		
In one year or less or on demand	54,758	51,714
In more than one year but not more than two years	58,432	54,796
In more than two years but not more than five years	199,891	184,773
In more than five years	<u>488,542</u>	<u>588,365</u>
	<u>801,623</u>	<u>879,648</u>

14. COMMITMENTS UNDER OPERATING LEASES

At 31 October 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	31 Oct 04	30 Apr 03
	£	£
Operating leases which expire:		
After more than 5 years	<u>18,000</u>	<u>18,000</u>

The lease expires in 2010 but both the landlord and tenant have an option to terminate the lease in 2005.

PALISADE PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

15. RELATED PARTY TRANSACTIONS

During the period the company had transactions with Palisade Properties (Holdings) Limited, Palisade Properties (Crow Road) Limited and Palisade Properties (Glasgow) Limited all of which are owned by the directors. The company also had transactions with Palisade Estates Limited, a company in which the directors have interests, with Palisade Properties (Oban) Limited, a subsidiary of Palisade Properties (Holdings) Limited, and with Park Lane Palisade Limited, an associated undertaking of Palisade Properties (Holdings) Limited. At the year end date the various companies referred to above owed the following amounts to Palisade Properties plc :-

	31 Oct 04	30 Apr 03
	£	£
Palisade Properties (Holdings) Limited	16,030	7,864
Palisade Properties (Crow Road) Limited	69,162	(10,857)
Palisade Properties (Glasgow) Limited	14,696	387,109
Palisade Estates Limited	271,196	86,116
Palisade Properties (Oban) Limited	91,098	-

The above balance with Palisade Properties (Holdings) Limited is stated net of a provision for £38,016 (2003 - £39,933).

During the period the company received income from related parties as follows:-

	31 Oct 04	Year to 30 Apr 03
	£	£
Palisade Properties (Crow Road) Limited	-	270,000
Palisade Properties (Glasgow) Limited	588,319	-
Palisade Estates Limited	448,598	-
Park Lane Palisade Limited	15,000	-

Palisade Properties plc has a management agreement to provide estate management and planning advice services for some offshore trusts which Elmford Limited, a nominee company, holds title to land for. Mr. Alan Wilson has an interest in some of these trusts. At 31 October 2004 Elmford Limited owed the company £31,900 (2003 - £2,369). Turnover with Elmford Limited during the period amounted to £29,351 (2003 - £nil).

During the period the company paid £nil (2003 - £2,340) to Mr Alan Wilson for office rent.

16. SHARE CAPITAL

Authorised share capital:

	31 Oct 04	30 Apr 03
	£	£
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	31 Oct 04		30 Apr 03	
	No	£	No	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

PALISADE PROPERTIES PLC

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 MAY 2003 TO 31 OCTOBER 2004

17. RESERVES

	Profit and loss account £
Balance brought forward	93,074
Retained profit for the period	<u>533,019</u>
Balance carried forward	<u>626,093</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Oct 04 £	30 Apr 03 £
Profit/(Loss) for the financial period	533,019	(334,578)
Opening shareholders' equity funds	<u>143,074</u>	<u>477,652</u>
Closing shareholders' equity funds	<u>676,093</u>	<u>143,074</u>